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January 27, 2004

Ms. Jean Lange  
Senior Financial Sector Advisor  
Office of Economic Growth Bureau for Europe and Eurasia  
USAID, Ronald Reagan Building - Room 5.08  
Washington, D.C. 20523

RE: Contract No. LAG-I-00-99-00036-00  
UI Project 06967-012, Competitive Financial Markets - Launching Debt Instruments (Support for  
Southeast Europe Mortgage Finance Network)  
Quarterly Task Order Progress and Cost Report, October to December 2003

Dear Ms. Lange:

Please find enclosed the *Quarterly Task Order Progress and Cost Report, October to December 2003*, Competitive Financial Markets - Launching Debt Instruments (Support for Southeast Europe Mortgage Finance Network) as required under Section F.12 of the above referenced contract.

Please direct any technical questions to Ms. Sally Merrill, UI/Washington at 202.261.5755 or Email smerrill@ui.urban.org. Questions of a contractual nature should be addressed to me at (202) 261-5818.

Sincerely,

Marcus L. Stevenson

Enclosures

cc: Dale Gredler (USAID/Washington)  
Sally Merrill (UI/Washington)  
USAID Development Clearinghouse  
IAC Deliverables File (06967-012)

**QUARTERLY TASK ORDER  
PROGRESS AND COST  
REPORT**

**OCTOBER TO DECEMBER 2003**

**COMPETITIVE FINANCIAL  
MARKETS - LAUNCHING DEBT  
INSTRUMENTS (SUPPORT FOR  
SOUTH EAST EUROPE  
MORTGAGE FINANCE  
NETWORK)**

Prepared for



Competitive Financial Markets - Launching Debt Instruments (Support  
for South East Europe Mortgage Finance Network)  
United States Agency for International Development  
Contract No. LAG-I-00-99-00036-00



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Prepared by

Sally Merrill  
*The Urban Institute*

January 2004  
UI Project 06967-012

## **QUARTERLY TASK ORDER PROGRESS AND COST REPORT**

**OCTOBER TO DECEMBER 2003**

### **Competitive Financial Markets - Launching Debt Instruments Support for South East Europe Mortgage Finance Network.**

**Task Order No.:** LAG-1-00-99-00036-00

**Date of Issuance:** August 29, 2003

**Amount Obligated Under Task Order:** \$ 160,000

**Total Potential Task Order Amount:** \$ 256,431

**Dollars Expended To-date:** \$ 143,413

**Key Personnel:** Prime Contractor Contact: Sally Merrill  
Phone: (202) 261-5755  
Email: smerrill@ui.urban.org

#### **Task Order Description:**

The objective of this task order is to support the newly established Southeast Europe Mortgage Finance Network (SEEMFN) in its goals to promote the harmonization of mortgage laws, policies and procedures in the region based on international standards and best practices. This will promote faster primary market development as well as greater issuance of mortgage securities, which are in demand by institutional investors and pension funds. The SEEMFN is a public private partnership of local and foreign mortgage finance practitioners, donors and international financial institutions working together to promote better domestic mortgage markets and greater integration of the region's financial markets. In so doing, it is designed to support and complement the bilateral efforts of USAID missions in the region to support mortgage market development.

Support under this task order will consist primarily of:

- (a) providing legal experts to do cross country analysis on a variety of issues critical to accelerating the development of mortgage finance and securitization;
- (b) updating and maintenance of an already developed website;
- (c) supporting semi-annual meetings organized by members of the SEEMFN.
- (d) developing a protocol for collecting and displaying mortgage information across the SEE countries and a network of appropriate persons in each nation to assist in supplying the data; and

- (e) supporting semi-annual meetings organized by members of the SEEMFN, presentations will be made at the fall 2003 meeting on legal issues and on standardization issues at the spring 2004 meeting.

As required by Section F.12 of the Contract, a description of the progress under this task order during this quarter is set out below.

## **I. HIGHLIGHTS**

This project is a follow-on to the previous project -- Developing Secondary Mortgage Markets Southeast Europe -- that took place during 2002-2003. This project culminated in development of a Working Group dedicated to improving mortgage finance in Southeast Europe (SEE), now called the SEEMFN, the Southeast Europe Mortgage Finance Network. Following a major conference in Sofia in February, 2003, on mortgage issues in SEE and worldwide, the first SEEFN meeting was held in Sofia in May 2003. This first meeting established an agenda for future studies and analyses, and their priorities. These include a critique of the legal framework for mortgage finance in SEE, a study of the potential for standardization, agreement to develop a database, and plans for future Working Group meetings.

Activities under the project in Q4 2003 include the following:

- A Legal Analysis of the primary and secondary mortgage markets in Croatia, Romania, and Bulgaria
- A SEEMFN Working Group Meeting held in Bucharest on December 2, 2003
- A mortgage market assessment of Serbia, December 4 – 12, 2003

## **II. PROGRESS OF MAJOR ACTIVITIES**

**Legal Gap Analysis.** Two mortgage market legal experts – Carol Rabenhorst (UI) and Steve Butler (consultant to UI) conducted an analysis of mortgage-related laws in Romania and Croatia. They reviewed the legal infrastructure for the primary market and the legal framework for developing a secondary market, including mortgage bonds and securitization. Mr. Butler then visited Bulgaria to look at laws supporting the secondary market. IME is currently updating the 2002 Assessment with regard to the legal infrastructure for the primary market. They critiqued the current laws, both the good and bad provisions, and noted important gaps. The commentary, which will be posted on the website ([www.ceemortgagefinance.org](http://www.ceemortgagefinance.org)), will attempt to offer practical guidance on good practice, comparing and contrasting alternatives, and suggesting why certain provisions might work well in a given setting. This will allow all SEE mortgage practitioners and officials involved in drafting new laws or amendments to gain a better understanding of the critical elements of good mortgage-related laws.

**December Working Group Meeting.** The second Working Group meeting took place in Bucharest on December 2. The preliminary results from the legal analysis were presented at this SEEMFN meeting by Carol Rabenhorst and Steve Butler. In addition, Peter Stredder (EBRD) and the EBRD consultant Rory Spain (Bank of Ireland), presented their approach to the standardized Mortgage Manual being prepared for the region. Finally, the meeting established current priorities for next steps and set a tentative agenda and location for the spring 2004 Working Group meeting.

**Spring 2004 Working Group Meeting.** It is expected that the next SEEMFN meeting will be held in Croatia on May 25. It will be sponsored by Zoran Bohacek and Martina Etlinger of the Croatian Banks Association. EBRD will present the results of its Mortgage Manual analysis, which will form the basis for a discussion of overall standardization

**Working Group Members from Croatia.** Under another USAID project, Sally Merrill, the SEEMFN project manager, traveled to Croatia in September 2003. Meetings held in Zagreb afforded the opportunity to describe SEEMFN to several persons in Croatia, including the Assistant Minister of Finance, a staff member of the National Bank who deals with housing finance issues, and the Assistant Minister of Public Works, the Ministry which deals with housing issues. These experts were invited to join the Working Group and attend the meeting in Bucharest. As a result, Mladen Tepus from the national Bank of Croatia has joined the group.

### **III. DELIVERABLES AND REPORTS**

There are no formal deliverables or reports due this quarter.

### **IV. PROBLEMS OR DELAYS AFFECTING THE TASK ORDER PERFORMANCE**

There are no problems or delays to report at this time.

### **V. WORK PLANNED FOR NEXT REPORTING PERIOD**

- Hold the Working Group Meeting
- Complete the Legal Analysis
- Plan the development of an SEE region mortgage finance database
- Plan an analysis of mortgage finance standardization in SEE
- Update the Website

### **VI. SPECIFIC ACTION REQUESTED**

None at this time.